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# Foreign Agriculture

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INDIAN FARMER

# Foreign Agriculture

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## IN THIS ISSUE

	Page
<i>Currency Devaluation and Agricultural Trade . . . . .</i>	267
<i>India and Pakistan—The Problems of Partition . . . . .</i>	272
<i>More Land for More Food in Austria . . . . .</i>	277
<i>Margarine in Canada . . . . .</i>	278
<i>Sweden's Agricultural Policy—Some Broad Aspects . . . . .</i>	282
<i>Farm Research Progress in El Salvador . . . . .</i>	285
<i>International Agricultural News . . . . .</i>	287

## FRONT COVER

### Indian Farmer

Bullocks are the principal source of draft power in India.

## BACK COVER

### Map Showing India and Pakistan

Since partition of India into 2 separate Dominions—Pakistan and the Union of India—consolidation in the Union of India has brought 549 States together into 25 political units (including disputed Kashmir), either as unions of States, individual States, groups of Provinces, or units taken over by the Central Administration. Pakistan, the largest Moslem country in the world, is made up of 13 of the prepartition States.

NOTE. Index to volume 12 (1948) of *Foreign Agriculture* may be obtained upon request to the Office of Foreign Agricultural Relations, United States Department of Agriculture, Washington 25, D. C.

## NEWS NOTES

### TCB Official Returns From Latin American Trip

John V. Hepler returned to Washington recently from a 10-week study of extension activities in several Latin American countries. In Costa Rica he attended the Technical Meeting on Agricultural Extension called by the Food and Agriculture Organization of the United Nations and the Inter-American Institute of Agricultural Sciences, at Turrialba. From there he went to Peru, returning by way of Ecuador and Panama.

### Mr. Wann Succeeds Dr. McCown Who Goes to Paris

Monroe McCown will soon join the Embassy staff in Paris as Assistant Agricultural Attaché. During the past 2 years he has served as assistant to Joseph A. Becker, Chief of the Office of Foreign Agricultural Relations' International Commodities Branch, assisting in the organization and administration of OFAR's foreign studies under the Research and Marketing Act program of the Department of Agriculture.

John L. Wann will succeed Dr. McCown. Mr. Wann comes to OFAR from the Farm Credit Administration where he was an agricultural economist in the Cooperative Research and Service Division.

Credit is given for photographs as follows: p. 272, Henry W. Spielman; p. 274, *Foreign Commerce Weekly*; p. 275, Elton G. Nelson; p. 277, ECA; p. 279, PMA; pp. 282, 284, Swedish Travel Information Bureau.

## FOREIGN AGRICULTURE

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ALICE I. FRAY, EDITOR



# Currency Devaluation and Agricultural Trade

by OSCAR ZAGLITS

The wave of currency devaluations that began with the 30.5-percent reduction in the exchange value of the British pound on September 18 engulfed 30 countries within less than 2 months.



These countries took slightly more than two-thirds of United States agricultural exports and 62.5 percent of its nonagricultural exports in 1948. The shares of the devaluing countries in principal agricultural exports in that year were as follows: Tobacco 89 percent, fruits 74, cotton 69, grains and preparations 67, fresh and processed vegetables 56, dairy products 54, others, on an average, 63 percent.

As suppliers to the United States the devaluing countries have been more important in the industrial than in the agricultural field. They shipped to us 72 percent of our nonagricultural imports but only slightly more than 43 percent of our agricultural imports. These countries were important, however, as sources of our imports of wool, meat, cattle, hides and skins, feed grains, cotton, rubber, jute, tea, and cocoa.

Among the devaluing countries were also many important competitors of United States agriculture, such as Canada, Australia, Argentina, South Africa, Southern Rhodesia, Egypt, and the Sudan.

## *Scope and Price Effect Of the Devaluations*

Most devaluing countries reduced their exchange rates drastically. The entire sterling area (except Pakistan) and Denmark, Egypt, Jordan, the Netherlands, Norway, and Sweden followed the British example by devaluing more than 30 percent. France and Germany devalued more than 20; Belgium and Portugal about 13; Canada (which is not a part of the sterling area) and Italy 9 percent. Argentina changed its multiple-exchange-rate system so as to reduce the rates for many of its export products (especially its principal ones to the United States) by 30.5 percent. Uruguay, which has a similar system, made

changes resulting in a devaluation varying from 15 to 22 percent.

To the extent to which devaluation has not been offset by subsequent price changes, it has resulted in a decrease in the United States dollar prices of the products of the devaluing countries by the rate of devaluation and in a proportionate increase of the local-currency prices of United States products to buyers in the devaluing countries. For example, linen textiles from Northern Ireland, which used to cost United States importers 58¢ a yard f. o. b. Belfast, dropped to 40¢ a yard (a 30.5-percent decrease), whereas United States wheat shipped to Britain at Wheat Agreement terms (\$1.96 per bushel f. o. b. North Atlantic ports) would have cost Britain 9s. 8½ d. before devaluation and now costs 14s. (44 percent more).<sup>1</sup>

In the 2 months since devaluation of the pound, prices of United States products have remained firm. Those of many internationally traded products of the devaluing countries increased, in some cases to levels equivalent to their predevaluation dollar prices (for example, the export market prices of Canadian and Australian wheat and of Scotch whiskey, one of the most important British exports to the United States). Increases in local currency prices, partly offsetting the effect of devaluation, took place in many raw products with world markets, such as Egyptian cotton, Dominion wool, Malayan rubber and tin.

## *Devaluation: 1949 and 1931*

Actual causes of the devaluation of the British pound in 1949 and the circumstances under which it was devalued are quite different from those in 1931. Some of the differences account for the dissimilar behavior of prices then and now.

In 1931 Britain's exchange reserves were drained away mainly by an acute international financial crisis

<sup>1</sup> The maximum and minimum prices set in the International Wheat Agreement are determined by a formula that caused them to remain unchanged in terms of U. S. dollars for all countries participating in the Agreement and thus to increase 44 percent in terms of British pounds. The price under the bilateral British-Canadian wheat contract, however, was set at 2 Canadian dollars. Thus it increased by only 34 percent in terms of British pounds.

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that had developed into a run on the pound, in comparison with which the deterioration in the British trade situation during the 18 months preceding the 1931 devaluation was a minor factor. In 1949 British exchange control prevented any major run on the pound, but controls proved unable to stop the drain on Britain's gold and dollar reserves resulting from a serious imbalance of its trade with the United States and other dollar areas. Originally this imbalance stemmed from war-caused changes in the international economic position of the United Kingdom but it was accentuated by an overpricing of British export products such as could develop only under conditions of trade and exchange control and special trading arrangements.

Among the circumstances that were mainly responsible for the different behavior of prices then and now are the following:

1. Devaluation in 1931 came during a serious world depression, with widespread unemployment. In 1949 it came at a time when, despite slight recession in the United States during the first half of the year, levels of economic activity and employment were very high in this and most other countries.

2. Market forces were then the main factor in determining prices; now government programs are curtailing the operation of these forces in many countries. In particular, United States agricultural prices are being supported by loan and purchase programs.

3. Commodity prices in world trade in 1931 were uniform (except for differentials due to quality, shipping costs, and related factors); but now export prices for many important commodities differ greatly between areas. For example, prior to devaluation the prices of some sterling-area fats and oils had risen to more than twice the prices of equivalent dollar-area products. These price differentials have been the result of trading arrangements between countries in which the dollar had remained scarce despite large United States foreign aid. Many of these countries, particularly Britain (which before the war took about one-third of our agricultural exports), have for several years been curtailing imports of United States and other dollar-area products (tobacco and fresh and processed fruits and vegetables) and have shifted to alternate (mainly soft-currency-area) sources of supply—practically to the limit of physical availability. This contrasts with 1931, when our exports of individual products were determined by what could be sold abroad over existing tariffs.

4. United States exports and imports of goods and services in 1931 were fairly in balance, but now an excess of exports over imports of more than \$6 billion is made possible by United States foreign aid. The importance of this aid for our agricultural exports is shown by the fact that in the past fiscal year more than half were financed from such sources.

## *Effect on Market Position of U. S. Agriculture*

In the short run, at least, it is unlikely that devaluation will bring a serious change in the market position for United States agricultural products, either here or abroad.

As to the domestic market, lower prices for products of devaluing countries may result in increased competition from agricultural imports. In the case of Dominion wool, such competition is likely to result in substantially increased imports. Moderate increases in imports may result from devaluation in the case of special cheeses and other specialties and some meat products. Imports of long-staple and harsh short-staple cotton are likely to press against quota limits. Imports of butter, flaxseed, and linseed oil are controlled by licenses.

As to the short-run prospect in the export market, devaluation has not opened important new possibilities for shifts of purchases by foreign countries away from United States sources of supply, over and above those that had already taken place in recent years. Similarly, devaluation is unlikely to be a substantial new stimulant to production abroad of commodities competing with those of United States agriculture, except for a few, such as cotton, where price competition has remained comparatively important in international trade. Competition of synthetic fibers with cotton is also likely to increase because of devaluation.

Devaluation may also tend to accentuate the downward trend in our exports of dairy products that has been experienced in the postwar period. For most other United States agricultural export products, importing countries have adopted in recent years comprehensive programs to stimulate production in their own areas or in territories tied to them politically and economically. Examples are the long-term British-Rhodesian tobacco deal and Britain's "groundnut" schemes for colonial areas in Africa. Aimed at increasing local, colonial, and other soft-currency supplies, many of these programs called for expansion of production beyond economic limits. Devaluation has probably made some of these programs more economic or at least less uneconomic. For wheat it has resulted, for the time being, in bringing domestic prices in such countries as Britain, the Netherlands, Denmark, and Sweden below c. i. f. prices of wheat imported under the Wheat Agreement, even if quality differences are considered.



Further efforts are being made to expand agricultural production in many deficit countries in Western Europe and elsewhere. Restoration of protective price differential to predevaluation levels may become one of the means toward this end in place of other devices that might have been resorted to in the absence of devaluation.

The impetus to promote self-sufficiency and colonial development is likely to become even stronger if the effect of the reduction in United States aid programs on the dollar position of foreign countries is not being offset by larger dollar earnings of these countries. Devaluation will not worsen that prospect; it may, however, better it, if it leads to a lasting improvement in the exchange and trade position of foreign countries.

### *Effect on Trade Of Devaluing Countries*

The main way in which devaluation may improve the exchange and trade position of foreign countries is by facilitating larger export of their goods and services.

Disproportionately high prices of many of the industrial products of the devaluing countries of Western Europe have adversely affected their trade with the United States and other parts of the dollar area, such as Canada, several Latin American countries, the Philippines, and Japan. These price differences have not been sufficiently evident in price indices. They have also not been universal. The prices of some manufactures of Britain and Western Europe were comparatively low even before devaluation, otherwise these countries could not have traded with the dollar area. But too few of their prices were low and too many were high. This was one of the reasons that imports of Western European products by the United States and other parts of the dollar area remained disproportionately lower than before the war, even after Western Europe's production had been rebuilt and, in fact, raised beyond prewar levels. For example, average monthly United States imports from Britain declined from \$25.4 million in the last quarter of 1948 to \$14.7 million in the second quarter of 1949.

Overpricing of British and other Western European manufactures mainly resulted from inflationary pressures within the soft-currency area. In many countries internal demand tended to absorb too much of their output. What remained for export, or was forced into export by government regulations, was bid up by other parts of the soft-currency area and thus diverted from the dollar area. The latter was espe-

cially true in Britain because many countries inside and outside the Commonwealth (most important among them India) accumulated sterling balances that before devaluation totaled about \$13 billion—a formidable claim on Britain's resources.

Devaluation, however, has made markets in nondevaluing countries more attractive to exporters in devaluing countries because it has increased local-currency receipts from sales in such markets. It has also made the Canadian market more attractive to such countries as Britain, Sweden, the Netherlands, Germany, and France because the Canadian dollar was devalued much less than the currencies of these countries.

To result in larger dollar earnings, however, Western Europe's exports to hard-currency countries need to increase more in volume than they have declined in per-unit dollar price because of devaluation. This increase will require time, and the extent to which it will take place will depend on how production costs will develop in the devaluing countries.

Some costs have already increased in these countries because of higher local-currency costs of imports of raw materials and machinery from the dollar area and the postdevaluation price increases in soft-currency raw materials. Increases in prices of imported foods and of manufactures made of imported materials may be followed by wage increases, possibly even by a series of wage and price increases.

The governments concerned are trying to prevent these spirals by such means as price and wage controls and consumption subsidies. Such subsidies, however, will rather tend to strengthen inflationary pressures in economies short of consumer goods. Price and wage controls are unlikely to be more than partly effective, but even some delay of wage increases may prove important if downward pressures on costs and prices should develop in the interim.

Such a deflationary development may take place in Western European economies if increased competition among these countries, encouraged by the relaxation of intra-European trade barriers, forces their manufacturers to lower prices. Furthermore, some of the recent increases in raw-product prices of the devaluing countries may prove to have gone further than justified by the demand and price situation. Some moderate decline may also take place in United States prices.

All these are only possibilities, however; and it is uncertain whether the upward or downward pressure

on prices and wages in the devaluing countries will win the upper hand.

Because of such uncertainties, it is impossible to foresee to what extent the effect of devaluation will or will not be offset by cost increases in the devaluing countries. On the whole, however, it would appear that devaluation has a fair chance to result in a lasting improvement in the comparative position of European manufactures in the world market.

This will assist these countries to increase their sales in the United States<sup>2</sup> and, what is more important, to regain markets in Canada and Latin America that they lost to the United States during and after the war. The European Recovery Program cannot succeed without Britain, Germany, and other European countries regaining their former markets.

Such increased sales will mean more dollars in the hands of our foreign buyers and therefore better export prospects than United States agriculture would otherwise have in the forthcoming period of declining United States foreign aid.

### Prospect for Relaxation of Trade Restrictions

Finally, it must be borne in mind that unless the shrinkage of United States aid is being offset by at least a corresponding increase in dollar earnings of foreign countries from their sale to us of goods and services, or by some unilateral transfer of United States dollars to foreign countries, the dollar shortage abroad will become more stringent again, and trade and exchange controls of many foreign countries will be tightened even further.

Such tightening would tend to have a particularly adverse effect on United States agricultural exports, which, except in some cases, such as horticultural products, find the actual impact of those controls greatly eased at present by ECA and other foreign-aid programs.

On the other hand, any easing in the exchange position of foreign countries that the recent devaluations will bring about will make foreign governments more inclined to allow market forces to play again a larger role in international trade.

More than a replacement of United States-aid dollars by earned dollars will be required, however, if within the foreseeable future we are to obtain the basic objectives of our foreign economic policy, namely, the restoration of free currency convertibility (at least for

TABLE 1.—Changes in currency values, as of Sept. 18–Nov. 15, 1949

Country	Monetary unit	Currency value: U. S. cents per unit of currency		Reduction in value (per- cent)
		Old	New	
Sterling area:				
United Kingdom and de- pendencies. <sup>1</sup>	Pound -----	403.00	280.00	30.5
India -----	I. Rupee -----	30.23	21.00	30.5
Union of South Africa -----	S. A. Pound -----	403.00	280.00	30.5
Ireland -----	Pound -----	403.00	280.00	30.5
New Zealand -----	N. Z. Pound -----	403.00	280.00	30.5
Australia -----	A. Pound -----	322.40	224.00	30.5
Ceylon -----	C. Rupee -----	30.23	21.00	30.5
Burma -----	B. Rupee -----	30.23	21.00	30.5
Iraq -----	Dinar -----	403.00	280.00	30.5
Iceland -----	I. Krona -----	15.41	10.71	30.5
Southern Rhodesia -----	R. Pound -----	403.00	280.00	30.5
Continental Europe:				
Denmark -----	D. Krone -----	20.84	14.48	30.5
Netherlands <sup>2</sup> -----	Guilder -----	37.70	26.32	30.2
Finland -----	Markka -----	.625	.4348	30.4
France <sup>3</sup> -----	F. Franc <sup>4</sup> -----	5 3676	5 2857	22.3
Italy -----	Lira -----	5 1739	5 1580	9.1
Norway -----	N. Krone -----	20.15	14.00	30.5
Sweden -----	Sw. Krona -----	27.78	19.31	30.5
Belgium-Luxembourg <sup>5</sup> -----	B. Franc -----	2.28	2.00	12.3
Greece -----	Drachma -----	5 01	.0067	33.3
Portugal -----	Escudo -----	4.00	3.48	13.0
Western Germany -----	Deutsche Mark -----	30.00	23.81	20.0
Spain -----	Peseta -----	(7)	(7)	(7)
Others:				
Canada -----	C. Dollar -----	100.00	90.91	9.1
Argentina <sup>6</sup> -----	A. Peso -----	{ 26.80 10 25.12	{ 18.62 17.46	{ 30.5
Uruguay <sup>11</sup> -----	U. Peso -----	{ 52.63 10 65.83	{ 40.82 56.18	{ 22.4 14.7
Paraguay -----	Guarani -----	(12)	20.325	25-38
Egypt -----	E. Pound -----	413.30	287.16	30.5
Israel -----	I. Pound -----	{ 300.00 10 403.00	{ 280.00	{ 9.3 30.5
Jordan -----	Pound -----	403.00	280.00	30.5
Thailand -----	Baht -----	10.08	8.00	20.6

Source: Board of Governors, Federal Reserve System, *Federal Reserve Bulletin*, October 1949, p. 1171.

<sup>1</sup> Except British Honduras.

<sup>2</sup> The Indonesian guilder remains at par with the Netherlands guilder, but the Surinam guilder retains the old dollar parity of 53 cents.

<sup>3</sup> All local currencies of French dependencies are pegged to the French franc except (1) the rupee of the French possessions in India, which is kept at par with the Indian rupee, and (2) the Djibouti franc, which retains its old dollar parity of 47 cents.

<sup>4</sup> Commercial rate.

<sup>5</sup> Rate does not represent official exchange rate but is quotation based wholly or in part on current quotation for the dollar in a "free" market.

<sup>6</sup> The Belgian Congo franc remains at par with the Belgian franc.

<sup>7</sup> While the official rate of the peseta remains unchanged at 9 cents, Spain has adjusted its multiple system of rates applicable to most imports and exports, so as to result in an effective devaluation of 23 percent on imports and between 6.7 and 28.4 percent on exports. Major trade commodities are not affected, however.

<sup>8</sup> Rate changes apply to specified commodity transactions. With respect to other export and import transactions, rates for some have been maintained unchanged, some have been devalued by less than 30.5 percent, and the "free" market rate, for non-trade transactions, declined by about 46 percent.

<sup>9</sup> For imports only.

<sup>10</sup> For exports only.

<sup>11</sup> Rate changes apply to specified commodity transactions. With respect to other export and import transactions, rates for some have been maintained unchanged while rates for others have been devalued by 27.7 percent or less.

<sup>12</sup> For exports only. Rate applies to 90 percent of Paraguay exports. It replaces about 40 export rates previously applicable. The import rates have been so numerous that effective devaluation is difficult to determine.

current transactions in key currencies, such as the British pound) and of multilateral nondiscriminatory trade.

To achieve these objectives, the trade position of foreign countries vis-à-vis the United States needs to improve sufficiently to permit the balancing of their

<sup>2</sup> In 1948 imports from Western Europe amounted to only 0.4 percent of our national income.



exchange of goods and services with this country essentially without restriction on trade other than tariffs.

Such improvement cannot be expected from de-

TABLE 2.—United States foreign trade with devaluing countries, total and agricultural, 1948

Total trade		Country	Agricultural trade	
Exports	Imports		Exports	Imports
Million dollars			Million dollars	
636.9	280.3	Sterling area:		
297.5	267.7	United Kingdom.....	202.9	8.3
490.7	137.1	India.....	81.3	80.5
36.9	2.6	Union of South Africa.....	17.8	22.9
81.8	269.5	Ireland.....	15.0	1.0
33.9	32.8	British Malaya.....	8.3	196.2
113.8	131.8	New Zealand.....	3.3	29.6
19.3	52.5	Australia.....	13.8	97.3
344.2	202.3	Ceylon.....	2.1	50.7
		Others.....	41.4	130.8
2,055.1	1,376.6	Total.....	386.0	617.3
		Continental Europe:		
53.5	5.9	Denmark.....	17.2	1.6
309.1	43.8	Netherlands.....	123.8	14.7
36.2	38.6	Finland.....	7.8	(1)
586.6	74.2	France.....	238.0	10.5
412.1	90.9	Italy.....	256.4	39.4
84.3	33.6	Norway.....	24.6	.3
117.5	90.9	Sweden.....	10.6	.3
304.1	90.9	Belgium-Luxembourg.....	100.6	4.8
234.3	14.5	Greece.....	101.9	11.2
75.8	20.1	Portugal.....	30.4	2.3
861.9	29.3	Western Germany.....	767.3	3.7
25.5	34.9	Spain.....	3.1	26.4
3,101.0	567.7	Total.....	1,681.8	115.2
		Others:		
1,890.5	1,584.5	Canada, Labrador, and New-	143.1	227.5
378.3	183.6	foundland.....	4.7	155.0
59.8	62.5	Argentina.....	1.5	61.9
36.3	30.8	Uruguay.....	7.4	28.6
16.3	49.2	Egypt.....	1.6	34.0
91.5	76.9	Thailand.....	21.2	57.7
331.7	222.4	Indonesia.....	58.5	49.3
		Others.....		
2,804.5	2,209.8	Total.....	238.1	614.0
7,960.5	4,154.0	All devaluing countries.....	2,305.8	1,346.4
4,533.5	2,884.4	Nondevaluing countries.....	1,114.4	1,803.7
12,494.0	7,038.4	Total trade.....	3,420.2	3,150.1

<sup>1</sup> Less than \$50,000.

Source: Office of Foreign Agricultural Relations, November 1949. (Preliminary.)

NOTE: Due to rounding, figures do not always add to the exact totals shown.

TABLE 3.—United States agricultural exports, 1948, to countries recently devaluing their currencies

Country	Grains and preparations	Tobacco	Cotton	Fruits, nuts, and preparations	Vegetables and preparations	Dairy products	Others	Total
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Western Germany.....	465,672	7,929	72,513	83,333	49,690	11,854	76,336	767,327
Italy.....	171,283	2,448	57,016	868	9,264	6,921	8,626	256,426
France.....	118,560	479	63,932	12,079	2,386	8,220	32,307	237,963
United Kingdom.....	116	90,114	72,391	78	524	29,079	10,625	202,927
Canada (including Newfoundland and Labrador).....	25,615	1,462	29,673	38,538	8,316	1,716	37,780	143,100
Netherlands.....	77,762	8,452	16,250	997	2,039	1,534	16,800	123,834
Greece.....	73,484	22	552	252	7,931	11,510	8,188	101,939
Belgium-Luxembourg.....	28,222	5,878	15,326	8,680	1,472	17,314	23,717	100,609
India.....	63,527	8,809	4,832	5	5	2,288	1,867	81,333
Portugal.....	25,383	4,327	none	14	3	58	664	30,449
Norway.....	15,428	6,680	1,355	22	79	1	1,002	24,567
Indonesia.....	13,130	2,004	941	524	179	3,203	1,245	21,226
Union of South Africa.....	9,894	779	707	499	1,050	1,165	3,665	17,759
Ireland.....	6,373	7,263	214	1	16	none	1,098	14,965
Sweden.....	1,686	6,728	579	962	157	1	468	10,581
Other devaluing countries.....	55,740	37,866	15,425	8,439	4,400	18,304	30,852	171,026
Total to devaluing countries.....	1,151,875	191,240	351,706	155,291	87,511	113,168	255,240	2,306,031
Nondevaluing countries.....	563,723	23,308	159,229	53,455	67,606	96,880	149,952	1,114,153
Total all countries.....	1,715,598	214,548	510,935	208,746	155,117	210,048	405,192	3,420,184

Source: Office of Foreign Agricultural Relations, November 1949. (Preliminary.)

# India and Pakistan

## —The Problems of Partition

by DORIS DETRE RAFLER



The establishment in August 1947 of the Union of India and Pakistan as self-governing Dominions in the Commonwealth of Nations was an event of economic as well as political significance.

Prior to the war India was building up its industry, but its foreign trade still consisted largely of an exchange of agricultural products, in raw or semi-processed form, for industrial goods. With partition the area that produced the exportable surplus of food and much of the agricultural raw material for factories became Pakistan, leaving the new Union of India with 96 percent of the industrial enterprises, a farm production largely dependent on the vagaries of the monsoons, and a population of nearly 350 million, which is reportedly increasing by about 4 million a year.

Pakistan, on the other hand, in years of normal production can feed its people but finds itself geographically divided and dependent on Indian mills for an outlet for its jute and to a lesser degree certain other raw materials. Besides, it has looked to India for sugar, coal, cotton textiles, and most of its manufactured consumer goods. The dependence of the two Dominions on each other for supplies found expression in a trade agreement that projected an annual exchange of goods totaling \$600 million.

The economies of the two Dominions, then, are closely interwoven. They are both faced with the immediate need of maintaining law and order, providing for the national defense, and resettling the millions of refugees who migrated from one Dominion to the other. As to the future, if they are to feed their rapidly growing populations and develop their agricultural and industrial resources so as to achieve the economic stability basic to higher living standards, each country has several major problems to solve.

### *Current Problems*

#### *India*

With a significant part of its food-producing area gone and with a growing population to feed, a major goal of the Union of India is to increase agricultural production as rapidly as possible. Alternatively, great

quantities of food must be imported and paid for.

The Indian Government, striving to improve social and economic conditions, has under way large-scale plans for increasing domestic agricultural production. Some of these, however, involve such long-range projects as reclamation of wastelands and construction of irrigation systems, which will not be completed for years. Since putting more acreage into cultivation would bring into production marginal lands, which need improvement, the Government is now trying to increase yields per acre. These are low in India compared with yields in other countries, but substantial improvement depends in part on consolidation of the very small holdings and elimination of the system of joint family farming. Another plan for speedily in-



Weighing cotton on balance scales. With partition, India lost a fifth of its prewar cotton land.



creasing the food supply is the diversion of sugarcane acreage to food grains. A major effort to increase production of food crops was made during World War II, when more than 9 million acres of cotton land in prepartitioned India was diverted in the hope that it would be used for this purpose. Any further large-scale diversion from industrial to food crops, however, would curtail the production of important commercial and industrial raw materials needed for the export trade and the essential cotton-textile, sugar, and jute industries, which in part pay for current food imports.

Further immediate plans announced by the Government envision intensive cultivation, use of tractors and other modern equipment, tools and seeds, compost making, and the sinking of tube wells for irrigation. The goal is for a 10-percent increase in food production. Attempts have also been made to improve the system of grain collections, and the recent plans announced by the Indian Government for a price-support program similar to that in effect in the United States may improve collections of food grains. With population increase and various other pressures on the food supply and its efforts for higher living standards, India may continue food imports for some time to come even if current goals are achieved.

Moreover an excessive drop in imports might push food prices up; and since they account for about 60 percent of the Indian's cost of living, this might cause a renewed pressure on wages. Control of inflation is

TABLE 1.—*Acreage in principal agricultural crops, India and Pakistan*  
[Million acres]

Crops	Indian Union	Pakistan	Total
Rice . . . . .	58.1	22.6	80.7
Wheat . . . . .	24.5	10.4	34.9
Other grains . . . . .	95.8	7.9	103.7
Sugarcane . . . . .	3.2	.6	3.8
Oilseeds . . . . .	23.0	1.5	24.5
Jute . . . . .	.5	1.8	2.3
Cotton . . . . .	11.3	3.3	14.6
Tobacco . . . . .	1.0	.2	1.2
Total in above crops.	217.4	48.3	265.7
Total irrigated . . . . .	49.0	20.0	69.0

a major problem of the Indian economy; prices have more than tripled since 1939. To halt inflation the Government is resorting to rationing and certain anti-inflationary financial measures. Pressure to raise wages follows directly on price increases, and the cost-of-living allowances that Government-sponsored "Tribunals" have been widely awarding in the settle-

ment of labor disputes have in turn resulted in almost immediate price increases. In addition to adversely affecting the situation of domestic consumers, price inflation is accentuating the deficit in the balance of trade, which is another major problem facing India today.

Prior to World War II, India normally exported more than it imported. During the war the country sold substantially more in goods and services than it bought, accumulating sterling balances as a result. In recent years, however, large imports and curtailed exports have resulted in trade deficits for the new Union of India, both with the soft-currency and dollar areas. For the year ending March 1949, India's trade deficit was estimated at nearly \$650 million. The over-all deficits have been balanced by the liquidation of accumulated sterling. Thus, 40 percent of such funds have already been used, and at the present rate of withdrawal India's sterling balances would be used up within a few years. As India has no extensive overseas investments to draw upon, the Government would prefer that these sterling balances be used to purchase capital goods for the reorganization and expansion of industry and agriculture.

The possibilities for balancing India's foreign trade by reducing imports or by increasing exports are limited. Imports cannot be materially reduced without reducing food supplies or cutting down the flow of raw

TABLE 2.—*Major articles of trade, India and Pakistan*

Country	Exports	Imports
Union of India . . . . .	Jute and jute manufactures. Tea. Hides and skins. Wool. Cotton and cotton piece goods. Linseed and peanut oil. Twist and yarn. Manganese, mica. Tobacco manufactures. Rubber.  Coffee. Coal.	Jute.  Petroleum. Cotton dyes. Paper and paper products. Motor cars.  Machinery. Rice. Wheat.  Chemicals and medicines. Hardware.
Pakistan . . . . .	Raw jute. Wheat, flour. Cotton.	Sugar. Cotton piece goods. Coal. Cement. Steel. Metals and minerals. Miscellaneous consumer goods.





City workers sorting cashew nuts in a plant in India. The new Union's growing industrial population and decreased cropland intensify an age-old food problem.

materials upon which industry depends. Import control measures, recently introduced, however, may curtail the purchase of foreign consumer goods currently in demand because of the inflation and high domestic prices. Expansion of indigenous supplies—another method of cutting down imports—is a long-range goal.

The Government aims at expanding industrial production as a means of reducing the need for imported manufactures and providing new export products. Production expansion is retarded by a shortage of capital goods and technicians, as well as by the absence of entrepreneurial incentive. It is shortage of capital, however, that primarily blocks rapid industrialization. Private capital—business men and the wealthy princes—explain their reluctance to invest by pointing to the high rates of taxation and the repeated advocacy by members of the Government of public ownership of basic industries. The middle class has been unable to save because of inflation. Public investment is being curtailed as part of India's anti-inflationary policy (but even so, it is the capital expenditures and the cost of the country's new army that are causing large deficits in the Indian budget). To obtain private capital from abroad the Government has recently disavowed

unfriendly intentions toward foreign investments. It has received \$34 million from the International Bank for Reconstruction and Development to be used for Indian railways, and \$10 million for the purchase of agricultural machinery for land reclamation (eradication of Kan's grass and other projects) with the probability of a further loan of about \$30 million from that source. The Government hopes that additional funds will be available under President Truman's Point Four program.

As regards India's traditional exports, exports of manufactured goods were based on the country's ability to produce inexpensively, based in turn on cheap labor. The new political and social consciousness in India has led to a demand for a higher standard of living for industrial workers. This will impede exports until labor production has also been increased. Furthermore, partition, with the resulting dislocation of normal production and trade relationships, has aggravated the economic picture. India lost more than three-fourths of the acreage devoted to jute and more than a fifth of its cotton-producing land, which accounted for about 40 percent of its prewar production, and became a processing country, dependent on imported raw materials, the prices of which are high at present. It is said that the jute industry has been paying such a high price for its raw material from Pakistan that it is unable to sell abroad at a profit. It is probably true that the high cost of packaging materials made of jute is hastening the use of substitutes in other parts of the world. Besides high raw-material and labor costs, Indian export costs are increased by other factors, such as an inadequate transportation system, resulting in part from overuse of the railroads in wartime. It is inadequate development of the transportation system also that is keeping India from exporting more of its minerals (manganese, mica, and such), which are in great world demand. For this reason the development plans of the Indian Government gave first priority to the improvement of railways and ports. Increased internal consumption has resulted in reduced exports of oils and oilseeds and a number of other direct consumption commodities. The devaluation of the rupee may result in lower dollar prices for Indian exports and thus increase the demand for some of them. In view of the continued foreign demand for Indian tea, minerals, and some other items, however, it would be unwise to expect a reduction of the price of these commodities in terms of hard currencies.

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On the other hand, unless Pakistan also devalues, the cost to India of imports from Pakistan, especially raw jute, will be higher than before devaluation unless offset by significant price declines. Aside from such factors as price and transportation, India lost, with partition, the market for a number of other commodities formerly sold domestically. Pakistan may now wish to purchase them elsewhere or is committed to do so by its bilateral trade agreements. The bilateral agreements entered into by India, on the other hand, have not thus far been successful in expanding the sale of Indian goods to new markets.

During the postwar period the Union of India's dollar earnings from exports have been insufficient to pay for required imports, and they had to be supplemented from the dollar pool of the sterling area. Under the latest financial agreement with the United Kingdom, India will be able to draw up to \$150 million in addition to its normal foreign exchange earnings during the next 2 years. Since according to United States statistics India had to pay \$43 million during 1948 for United States wheat and wheat flour alone, the allocated dollars do not suffice for paying for the United States capital goods for Indian development. India has already borrowed about \$100 million from the

International Monetary Fund to finance its dollar deficit. While import controls have been tightened<sup>1</sup> and bilateral trade agreements signed with a view to increasing imports from other sources, India is faced with irreducible imports from hard-currency sources of grains, machinery, and equipment not elsewhere obtainable. Furthermore, with the devaluation of the Indian rupee by 30.5 percent, it is going to cost India correspondingly more to purchase these dollar imports.

Under the recent financial agreement with the United Kingdom, India was granted 150 million pounds sterling from its blocked balances to take care of its unfavorable balance of trade with the sterling area (mainly Pakistan) during the next 2 years. With

<sup>1</sup> Under the most recent Indian import decree, only 63 items plus certain chemicals and medicines may be imported from the dollar area. Whether these prohibitions will be maintained in view of the lack of alternative sources of supply is doubtful. For instance, it is doubtful whether in coming years the United Kingdom will make its Australian wheat supplies available to India, and supplies from other soft-currency areas or Eastern Europe are limited. Pandit Nehru during his recent visit to the United States acknowledged his country's dependence on United States wheat, even while the import decree was still in operation.



Stripping jute near Dacca, Pakistan. Partition separated jute acreage from processing plants—most of the acreage went to Pakistan and all of the mills to India.

Pakistan goods now also costing India substantially more in sterling than before devaluation, further imbalances are bound to occur. There is considerable dissatisfaction in India with the higher prices manufacturers will have to pay for Pakistan raw materials, as well as the automatic 30-percent cut in Pakistan's billion dollar debt to India. Export duties and export controls are being imposed on goods needed by Pakistan, and trade between the two Dominions is at a virtual standstill.

### *Pakistan*

Pakistan's primary concern is that of improving the output of basic crops. The country's economy depends almost wholly on its agriculture, which must feed the growing population and the food-deficient area of East Pakistan, supply raw materials for developing industries, and provide the country with an export surplus large enough to pay for essential imports.

Meeting these requirements and achieving unified economic policy is made difficult by the geographical division of the country. East Pakistan is separated from West Pakistan by more than a thousand miles of India. A large part of the food surplus of the area now known as West Pakistan must go to feed the deficient area of East Pakistan. Furthermore, the surplus is in wheat, which must be exchanged for rice, the staple diet of East Pakistan. Normal population increase, the immigration of more than 5 million Moslem refugees, the development of an industrial and military population, and the proposed agrarian reform will put added pressure on Pakistan's food supply during coming years. The new country does have millions of acres of land, however, that may yet be brought into cultivation; current Government plans call for reclamation and irrigation of 6 million acres.

Partition separated not only the country itself but also its raw materials from normal outlets. Pakistan was left with four-fifths of the jute output of undivided India but no jute mills. It is therefore dependent on Indian mills for a market for most of its raw jute. Likewise, in the case of cotton, Pakistan's major market is the Indian mills, and Pakistan is still largely dependent on these mills for its supply of cotton textiles. By bilateral trade agreements with Egypt, Hungary, Japan, Poland, and Yugoslavia, however, Pakistan has attempted to secure cotton textiles and certain manufactures and has reduced import duties. But shortage of port facilities will tend to limit overseas trade and maintain dependence on India.

While Pakistan is self-sufficient in tea, it produces oilseeds only in insignificant quantities and has been

importing them from India. Pakistan is attempting to develop its own processing industries. Success has been hampered, however, by lack of capital and power, by severe inflation and by migration of the technically and commercially skilled non-Moslems as a result of partition.

The Government of Pakistan has plans for the development of 27 specific industries including hydroelectric plants and heavy engineering and ship-building industries. Within the near future, most of the industrialization will be related to the existing agricultural economy of the country and will include jute, cotton-textile, and sugar mills. Unlike India, Pakistan is short of minerals and metals (though it has petroleum, chromite, and gypsum) and its forest resources are meager; thus not only capital goods and machinery but also the basic raw materials needed for industrialization must be imported. To pay for these imports, as well as many essential consumer goods purchased abroad, agriculture must provide Pakistan with a sufficient export surplus.

During the past 2 years the high prices of jute and cotton, as well as the unsatisfied demand for them, have enabled these two crops to provide a sufficient export surplus to cause a favorable balance of trade of Pakistan with the Union of India and with the world. Exports of jute alone account for 60 percent of the cash value of all Pakistan exports; cotton and jute together account for 80 percent. To a large extent, this export balance has arisen from the highly favorable balance of trade with the Union of India. The continuation of this position depends on the continuation of high prices of the exported raw products and may call for a limitation of imports. Furthermore, as industrialization progresses, it is obvious that Pakistan will be called upon to finance part of its imports from its share of the accumulated sterling balances<sup>2</sup> and by recourse to foreign capital.

Pakistan's decision not to devalue, it was explained, was based on the country's need for substantial imports from the dollar area and its desire to avert spending more dollars for these imports. And further, since no immediate production expansion was possible in its raw-material exports, the Government did not wish to affect the earnings of the producers of these commodities. Pakistan may not maintain this position in view of India's halting its purchases of Pakistan

<sup>2</sup> Under the financial agreement with the United Kingdom, \$68 million will be released to Pakistan during the current year.



jute and cotton and imposing export duties on the consumer goods from India needed by Pakistan.

### *Outlook*

Several economic problems will face India and Pakistan for many years. As industrialization plans progress and as agricultural resources are increased, there will be changes in the proportionate production of different commodities in the two Dominions. India may remain for years a deficit food area, Pakistan a surplus agricultural area. Industrialization may result in a shift in trade, but, historically, economic development has brought about an increase of total trade. It is important, therefore, for the planners in the two Dominions to realize the profitability of joint economic policy.

To the United States, India and Pakistan will remain increasingly important markets and sources of vital raw materials. Our trade with India and Pakistan totaled nearly \$600 million in 1948, about six times the prewar average. Agricultural exports to the new Dominions in 1948 were valued at \$84 million. The development of these new trading partners is therefore of great interest to this country.

## More Land for More Food in Austria

Like many other countries, Austria finds that one of its most pressing problems is how to grow more of its own food. Before World War II the country produced all but one-fourth of its food needs, but now it must look abroad for almost one-half—a dependence that represents too great a drain on Austria's dollar supply. To close this breach in its economy, Austria plans to raise so much more food that by 1953 it will be importing only one-third. Plans like this call not only for the best use of land already under cultivation but also for reclamation of the considerable areas that still go unused because they are inadequately drained or irrigated.

Several projects for reclamation are now under way. By providing more drainage and irrigation facilities, the provincial governments, with the cooperation of the federal government, anticipate adding 1.6 million acres to the country's arable land—enough to make another province—with more than 370,000 acres of the total to be reclaimed in Lower Austria alone.

For financing these improvements, Austria is depending largely on support from the ECA agricultural program, which, according to information from the Austrian Government, contemplates using about \$400,000 a year for drainage and irrigation projects in that country. Some of these funds are being spent on special United States machinery: three drainage ditchers and two dredging machines arrived in Austria on July 2, 1949, and five more machines of this type will soon be operating in Lower Austria.

The ditchers, which cost \$16,000 each, have Diesel motors and, in normal soil, can dig a ditch about 5½ feet deep and 1 foot wide. On the average, one machine will dig enough ditches in a year to drain nearly a thousand acres of land.



Drainage ditcher purchased by the Austrian Government with the aid of the Marshall Plan.

# Margarine in Canada

by FRANCIS A. FLOOD



The use of margarine in Canada has quickly become surprisingly heavy for such a new product. Before last December there had not been a pound in the country for a quarter of a century, and it had been banned for practically 60 years. Now, however, in less than a year's time, the per capita consumption is above that in the United States.

In 1885 an act (Chapter 42 of 49 Victoria) began with the preamble, "Whereas the use of certain substitutes for butter hitherto manufactured and exposed for sale in Canada is injurious to health . . ." and prohibited their manufacture and sale. In 1903 the Dairy Industry Act continued the Victorian ban, and, except for a temporary suspension during World War I, extended to 1923, there has been no margarine in Canada. In 1927 the Dairy Industry Act, Section 5 (a), continued the ban against the manufacture, importation, or sale of margarine "or any other substitute for butter manufactured wholly or in part from any fat other than that of milk or cream."

Margarine has long been legal in Newfoundland, but Newfoundland was not a part of Canada until April 1, 1949, when it became a new Province—the tenth—of Canada.

Repeated efforts in session after session of the Canadian Parliament in recent years to pass legislation that would legalize the sale of margarine in Canada had all failed, although by progressively smaller majorities.

## *The Supreme Court Acts*

Then, on December 14, 1948, the Canadian Supreme Court declared that the legislation (Dairy Industry Act, Section 5 (a)) that had barred the manufacture and sale of margarine for so many years was *ultra vires* of Parliament and therefore invalid.

The Court decided, however, that the importation ban was within the power of Parliament. Hence, margarine still may not be imported, although the ingredients may.

The Canadian dairy interests immediately talked of appealing the Supreme Court's decision to the Privy Council in London. The Dairy Farmers of Canada pointed out that the Court's decision was split five to two and, further, that the five majority Justices them-

selves, in their written opinions, did not entirely agree as to their reasons.

The Canadian Federation of Agriculture, on behalf of the Dairy Farmers of Canada, finally filed an appeal, which is scheduled to be heard by the Privy Council in London in January or February 1950.

Meantime, without waiting for the appeal, producers began making margarine at once. A million pounds were made the first month, in January. More than 3 million pounds were made in February, followed by an average of 6.75 million pounds a month for the next 7 months, March–September.

This 6.75 million pounds a month is at the rate of 81 million pounds in a year. If margarine production is heavier in the fall and winter months than in the summer, as it is in the United States, the production may be more than 81 million pounds.

## *Control by the Provinces*

The Dominion Parliament passed no control legislation after the Supreme Court's decision, but gradually the nine Provinces, one by one, passed legislation of various kinds regulating the manufacture and sale. Hence, the present status of margarine in Canada rests in these Provincial acts, which, in general, permit the sale of margarine in all the Provinces except Quebec and Prince Edward Island.

The acts and regulations may be summarized as follows:

### *Taxes*

There are no taxes on margarine, Dominion or Provincial, except for nominal license fees required from manufacturers and wholesalers but not from dealers.<sup>1</sup>

### *Coloring*

The coloring of margarine is regulated in all the Provinces except Newfoundland. Six of the Provinces restrict coloring to 1.6 degrees of yellow or red and yellow collectively in terms of Lovibond tintometer;

<sup>1</sup> Section 86 of the Canadian Excise Tax Act imposes an 8-percent sales tax on manufactured goods, with many exemptions. Most foods are exempt, including all dairy products except ice cream. Margarine is not exempt.

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and the other, Alberta, directs that it may not be colored the natural color of butter or any shade of yellow that might cause it to be mistaken for butter. New Brunswick prohibits coloring material to be attached to or placed within any package of margarine.

**Labeling**

Alberta and Manitoba require that the package bear the word "margarine," Alberta stipulating it must be the most conspicuous word on the package and Manitoba that it appear on the main panel. The other Provinces require that the package bear the word "margarine" or "oleomargarine" or the trade name. British Columbia also requires the words "substitute for butter." The Manitoba act directs that advertisements may not state that margarine has a relation to any dairy product other than skim milk or depict a dairy scene. All Provinces except Alberta require that the package list the ingredients, and most require the percentage of each ingredient. All Provinces require that public eating places advise customers by placard or menu that margarine is used.

**Content**

All Provinces except Alberta prohibit the mixing of butter with margarine for sale or use in a public eating house. Most require a maximum of 16 percent water and a minimum of 80 percent fat. New Brunswick prohibits the use of any preservative other than common salt.

**Licensing**

Manufacturers and wholesalers—except wholesalers in Alberta—but not retailers, must secure a license from the Provincial Minister of Agriculture.

**Banned in Two Provinces**

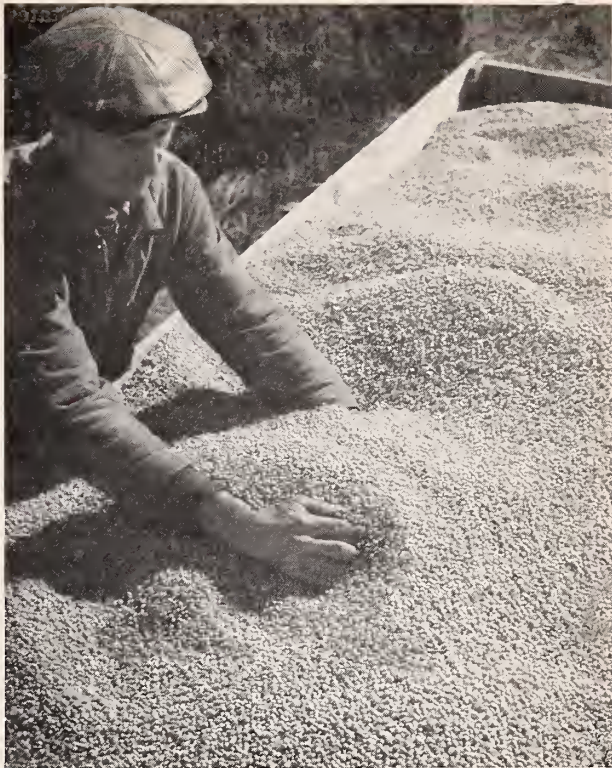
The two Provinces of Quebec and Prince Edward Island, however, still completely ban the sale of margarine.

In Newfoundland, which became the tenth Province of Canada on April 1, 1949, an arrangement under the terms of the union with Canada permits the sale of margarine, colored or uncolored, to continue there.

TABLE 1.—Canadian production of margarine, 1949

	1,000 pounds		1,000 pounds
January.....	1, 030	June.....	6, 734
February.....	3, 354	July.....	5, 352
March.....	7, 349	August.....	7, 038
April.....	7, 149	September.....	6, 890
May.....	6, 869		

Source: Dominion Bureau of Statistics.



As a result of recent margarine legislation in Canada, United States producers of oil crops—soybeans, cottonseed, and peanuts—have a new outlet for their products.

But margarine is not to be shipped to other Provinces unless the Canadian Parliament provides or unless the manufacture, sale, and inter-Provincial movement is legal in all Provinces.

Quebec's population of 3,887,000 and Prince Edward Island's population of 90,000, combined, total nearly 30 percent of Canada's population. Hence, margarine is available to only about 70 percent of Canada's 13,545,000 population, or 9,568,000 people.

A production rate of 81 million pounds of margarine a year would mean a per capita consumption of about 8.5 pounds on the basis of the 9,568,000 people to whom margarine is available. (On the basis of Canada's total population, including Newfoundland, it is at the rate of about 6 pounds per capita.)

This heavy consumption of margarine in Canada, 8.5 pounds per capita, is a sudden jump from nothing compared with the steady but slow increase in consumption in the United States. In the past 10 years, margarine consumption in the United States increased from 2.3 pounds per capita in 1939 to the peak of 6 pounds in 1948. Also, during 1949, while Canadian consumption of margarine jumped from nothing to



such a high rate, margarine consumption in the States showed a slight decrease from the year before.

### *More Margarine, Less Butter*

During the first 9 months of this year, January–September, when margarine consumption in Canada was rising, butter consumption decreased. Domestic consumption of butter, January–September, was 241.2 million pounds, compared with 270.7 million pounds for the same period last year. This is a decrease of 29.5 million pounds.

During the same period, margarine consumption was 49.4 million pounds, compared with none the year before, but those months included January and February, when production was barely getting started.

The 7-month period, March–September, is probably a better index of Canada's margarine consumption and production. During that period, margarine consumption was at the rate of about 5.8 pounds per capita for all of Canada, or about 8.5 pounds on the basis of that part of the population for whom it is available. Butter consumption for that same 7-month period was at the annual rate of about 25 pounds per capita. For the same period last year, it was at the annual rate of 27.2 pounds.

Canada's butter consumption during the 7-month period, March–September 1949, was 199.5 million pounds, compared with 218.5 million pounds for the same 7 months last year, or 19 million pounds less. During the same 7 months the margarine consumption was almost 47 million pounds.

Table 2 shows the per capita consumption of both

butter and margarine in Canada and the United States for the past 10 years.

Thus, butter consumption in Canada for January–September decreased while margarine greatly increased. During the same period the reverse was true in the United States. Butter consumption was larger in the United States, and margarine less, during January–September this year than last.

### *Is It the Price?*

It is interesting to note that this decrease in butter consumption in Canada occurred in a climate of lower butter prices.

Table 3 shows the comparison of butter and margarine prices in Canada since margarine production began.

### *The Oils Are Imported*

Of the 5,685,000 pounds of various oils used by Canadian margarine makers in August, 60.5 percent was cottonseed oil and 23.1 percent was soybean oil. The remaining 16.4 percent was coconut oil, peanut oil, marine oils, palm oil, and oleos, in that order of diminishing importance.

Thus, except for a small quantity of marine oils used by the one margarine maker in Newfoundland, all the raw materials used in this new industry in Canada, which competes with the Canadian dairy farmers, are imported, mostly from the United States.

The bulk of these oils come in as crude vegetable oils not refined. Some of the margarine makers, particularly the smaller ones, do buy some refined cottonseed oil and also hardened or hydrogenated cottonseed



The butter from Canadian dairy herds is finding new competition in margarine made from vegetable oils.

TABLE 2.—Per capita consumption of butter and margarine, Canada and United States, 1939–49

Year	Canada		United States	
	Butter	Margarine	Butter	Margarine
	Pounds	Pounds	Pounds	Pounds
1939	30.9		17.3	2.3
1940	31.4		16.9	2.4
1941	31.5		15.9	2.7
1942	33.7		15.7	2.7
1943	29.2		11.7	3.9
1944	30.8		12.0	3.9
1945	29.8		10.8	4.0
1946	25.7		10.3	3.8
1947	27.9		11.2	5.0
1948	28.7		10.0	6.0
1949 <sup>1</sup>	23.9	<sup>2</sup> 8.5	10.4	5.7

<sup>1</sup> Estimated.  
<sup>2</sup> Basis of 9,568,000 people to whom it is available at annual rate of production beginning March 1949.

or soybean oil. Some of them import this from the United States and others buy it from Canadian refineries.

Most of the techniques of margarine manufacture in Canada have been taken from United States methods. Canadian margarine is of the United States type rather than the European, in which large proportions of whale oil as well as peanut and palm oil are used. The various Canadian manufacturers all use much the same formula. There are 13 margarine manufacturers in Canada now: 6 in Ontario, 4 in British Columbia, 2 in Manitoba, and 1 in Alberta.

It is too early at this time to measure what the effect of margarine in Canada has been or will be on imports of vegetable oils from the United States. A straight statistical comparison of the imports for the first 6 months of this year with last, for instance, is useless. Last year Canada's fats and oils imports were under international allocation. Oils had to be bought from sources not necessarily the most economical. This year, allocation has been off and Canada's imports have been more largely of the kinds that could be had from the United States. The pattern of imports has been affected by other factors of greater influence than the advent of margarine.

Canada's imports of cottonseed oil, soybean oil, coconut oil, and vegetable oils not otherwise classified, amounting to some \$5.5 million for the first 6 months of this year, were heavier than for the same period a year ago, but margarine is by no means entirely responsible for that. At the same time, imports of palm oil, peanut oil, soybeans, and copra were smaller.

TABLE 3.—Comparisons of butter and margarine prices in Canada, by months, 1948 and 1949

Month	Butter <sup>1</sup>		Margarine <sup>2</sup>
	1948	1949	1949
	Cents	Cents	Cents
January	70.7	70.5	40
February	69.1	70.5	40
March	69.2	56.3	35
April	69.2	58.3	35
May	69.1	58.5	33
June	66.9	58.0	30
July	70.1	58.1	30
August	70.5	59.0	31
September	70.5	60.3	31.4
October	70.5		
November	70.5		
December	70.5		

<sup>1</sup> Basis, wholesale, jobbing, Toronto, carlots, grade 1, in prints.  
<sup>2</sup> Basis, wholesale, Toronto, in prints.

In making margarine, manufacturers can substitute various vegetable oils, one for another, according to cost and availability, and the future pattern of Canada's vegetable oils imports for margarine is only now emerging.



*Freedom from Want*, a symposium edited by E. E. DeTurk, with a foreword by Norris E. Dodd, Director-General, Food and Agriculture Organization of the United Nations. *Chronica Botanica*, vol. 11, No. 4, pp. 207–284, illus. Waltham, Mass.: The Chronica Botanica Co., and New York: Stechert-Hafner, Inc., 1948. \$2.

This symposium, which consists of six papers prepared by as many experts, examines the question "Can mankind achieve freedom from want?" Though the authors do not present a rosy picture, they do conclude that by intelligent appraisal of resources, careful planning, good management, and hard work the world can gradually improve the productivity of its soil and achieve a fair degree of well-being for its people.

*Vegetation-Types Map of Tanganyika Territory*, by Clement Gillman. 37 pp., illus. American Geographical Society, New York, 1949. \$1: (Reprinted from the *Geographical Review*, Volume XXXIX, No. 1, 1949, pp. 7–37.) This reprint contains a colored map, 24 x 24 inches, showing the types of vegetation in Tanganyika Territory, British East Africa. With it are 31 photographs and 31 pages of text.



# Sweden's Agricultural Policy —Some Broad Aspects

by KAREN J. FRIEDMANN



The most recent economic developments have confirmed the Swedes' belief in their protectionistic policy for agriculture. Because of the relatively high degree of food self-sufficiency that this policy has encouraged, the recent devaluation of the Swedish currency is not expected to affect food prices very much. A rise in food prices at the present time would seriously threaten the whole Swedish program of economic stabilization. For, especially when wages are tied to a cost-of-living index, as they are in Sweden,

an increase in the cost of foodstuffs is likely to lead to demands for higher wages, which in turn lead to further price rises. Sweden, however, may have controlled this trend and is giving agricultural policy its share of the credit.

Ever since the depression of the early 1930's, Swedish agriculture has been subject to a wide range of Governmental measures—instruments of a very active agricultural policy. There have been not only innumerable changes in the detailed provisions of this policy but also pronounced differences in its broader aims, which become apparent when a comparison is made



Farmstead near West Eneby, Sweden. The "typical" Swedish farm contains from 25 to 50 acres.



between three distinct periods—the prewar period 1930–39, the war years, and the postwar period. Policy for the postwar period, of course, includes plans for future years.

### *Prewar Period*

The policy of the 1930's may be broadly characterized as one of protection for Swedish agriculture against the impact of the international agricultural crisis. The measures adopted were many and varied and were not parts of an over-all planned agricultural policy. They were instituted in a somewhat piecemeal manner as the need arose to furnish assistance during an agricultural crisis that at first was expected to be of limited duration. Needless to say, the measures adopted had to vary according to the nature of the commodity in question and, not least, according to whether the commodity was normally subject to exports, imports, or sold only on the home market.

In the course of the 1930's, however, it became apparent that temporary Governmental measures for the support of agriculture were not enough and that a long-term policy had to be evolved. It was felt that Swedish agriculture needed protection if the standard of living of the farm population was not to drop seriously and that, in the long run, production would have to be curtailed or consumption stimulated. The latter seemed to be the favored solution until World War II broke out, changing the situation completely. Toward the end of the 1930's the question of "preparedness" in case of war and blockade also became important considerations in policy deliberations.

### *War Years*

After the outbreak of war, possibilities for importing feeds, fertilizers, and such decreased greatly and the draft for military service created a labor shortage. It was clear then that the problem facing agricultural policymakers during the war would be how to encourage maximum production, assure optimum distribution of short supplies of the products of agriculture as well as of raw materials for agriculture, and at the same time prevent excessive price increases on foodstuffs. Production and consumption of agricultural products were therefore subject to close Governmental control throughout the war years and up until very recent times. Delivery quotas for such products as grains, allocation of commercialized feed and fertilizers, consumer rationing of grain products, fats, sugar, meats, and other foods, and allocation of these products for industrial uses were important means of control. Furthermore, all the more important agricultural products have been subject to price control.

Since 1943 the procedure for fixing agricultural prices has been as follows: Before the beginning of each crop year, a calculation is made of anticipated total farm income (from farming only) and total cost involved in farming for the crop year in question. Swedish agriculture, in other words, is treated as one big enterprise. An index figure is calculated for income, another for cost (1938–39=100). If the two indices differ, the prices for agricultural products for the coming crop year are adjusted in such a way that this difference is eliminated; that is, prices for the farmers' products are adjusted so that the relation between total farm income and total cost will be roughly the same as in 1938–39. This price determination is carried out by a Governmental committee in consultation with farm organizations. Such a price policy can, of course, be utilized to promote the output of crops or livestock products of which an expanded production is deemed desirable. Price increases have obviously been called for from time to time for farm products. In order to prevent such price increases from exerting undue inflationary pressure on wages or working hardships on lower-income groups, consumer rebates have at times been given on certain products—milk and fats, for instance—with the cost being borne by the Government. Subsidies to producers have also been employed.

### *Postwar Period*

In recent months there has been considerable easing of controls on agricultural products, set in motion by the excellent crop of 1948. For instance, it has been possible to abandon all food rationing. Most feeds are also in free supply now. Although price controls on a number of agricultural products have been lifted, the price-determination mechanism described above is still a basic factor in Swedish agricultural policy.

Needless to say, import, export, and foreign-exchange controls also affect agriculture though they are not primarily designed to serve agricultural ends. As elsewhere in Europe, such controls at present limit most effectively the types and amounts of imports permitted, with the role of tariffs definitely secondary.

Despite the fact that wartime conditions temporarily necessitated measures of a special type, those concerned with Sweden's agricultural policy apparently did not lose sight of their goal as it had evolved in the late 30's. This goal was to substitute for the somewhat haphazard methods of the 30's a broad agricultural

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Dairy cows of a native breed and typical farm buildings at Rottneros, Sweden.

policy based on well-defined goals for the economic and social development of farming.

An important committee, the Agricultural Committee of 1942, which originally was charged with the task of suggesting bases for fixing and supporting agricultural prices in wartime, was also to work out proposals for a postwar agricultural policy. After 4 years' study the committee in 1946 submitted an extensive report on goals and means of a long-term agricultural policy, which was the basis of subsequent legislation.

This legislation (act of June 20, 1947) is based on the assumption that it is desirable, from social and preparedness points of view, that Sweden produce enough food to be nearly self-sufficient. It is also assumed that Swedish agriculture may not be able to compete with that in other countries in either the world market or the home market. Continued protection is therefore necessary in order to assure the above-mentioned goal.

It is, however, recognized that a large number of Swedish farms are too small and inefficient ever to become productive enough to provide an adequate living for a farm family under any workable economic policy. Special provisions are therefore included concerning such holdings.

The principles established by this legislation for the future Swedish agricultural policy may be summarized as follows:

1. Production shall be maintained at a level somewhat above nine-tenths of domestic needs and not so high that exports will result. This margin below requirements is expected to help prevent serious price drops due to overproduction in bumper crop years.

2. Rationalization of agriculture shall be in direction of farms of sufficient size to permit economical operation. The Government shall have certain prior rights of land purchase to this end, and, pending transition, special temporary support shall be given to families on farms of uneconomical size.

3. The income objective in agriculture shall be comparability with income of other groups, with the comparison on agriculture's side centered chiefly on income of so-called typical farms of 25 to 50 acres.

4. The principal means of achieving the income goal are price support through protection of the domestic market against foreign competition and also increased efficiency of production through rationalization, including efforts to bring about economic size of farms and wide use of technical improvements.

The practical effects of this policy will of course depend on the manner in which it is carried out, on annual appropriations, and other legislative action. Administration at the local level will be in the hands of committees, with farmer representation predominant. The new organization, both central and local, to carry out the adopted policy came into being July 1, 1948. It was stated at the time that the rationalization aspects of the new agricultural policy would be applied "cautiously and on a limited scale during the years immediately ahead."



# Farm Research Progress In El Salvador

by JAMES M. WATKINS



El Salvador's agricultural experiment station, the Centro Nacional de Agromía, is not yet 7 years old, but it has already demonstrated its value not only to its own country but also to the United States, which helped establish it.

Salvadorian technicians and United States specialists, working together at the Centro to develop the Republic's agriculture and, at the same time, to improve crops needed in the United States, have had marked success in many fields.

At the present time they have about 85 projects under way, among them such investigations as the improvement of field and horticultural crops through methods of planting, breeding, fertilizing, and spacing. Special attention is focused on complementary crops—coffee, kenaf, henequen, oil crops, and insecticides. From time to time, farmers ask station specialists to

make special investigations. One such study has been made of the black leaf disease of henequen, the fiber plant from which coffee sacks are made. The results obtained by the station have been gratifying, and the disease is already under control on most of the large plantations. Root and seedling diseases of coffee have presented another project for the Centro. Details for their control have not yet been worked out, but preliminary investigation indicates that seedling diseases can be controlled by fungicides.

Several improved varieties of seeds have been developed at the station and are already being distributed to the Salvadorian farmers. Yields of the hybrid and improved corn varieties are from 30 to 40 percent larger than those of native varieties. Sorghums introduced from United States have been promising, and a few of the best ones are being increased for distribution. These types produce three crops a year from one planting as compared with one crop from the native strains.



Station specialists have learned to control black spot disease of henequen, an important fiber-bearing plant.





Modern farm machinery is used at the station in El Salvador to expedite experiments. Oxen and the wooden plow, however, are still commonly seen on farms.

A rice type introduced by the station yields twice as much per acre as the local variety. New varieties of tomatoes developed by United States plant breeders and tested at the station yield well in El Salvador and can be grown throughout the wet season. Native tomatoes are limited to growth in the latter part of the rainy season and throughout the dry season. The station has also conducted successful investigations on the retting of kenaf for fiber. These experiments have reduced the time required from 2 weeks to 24 hours.

To tell the farmers of the discoveries made in the laboratory and the results obtained from practical experiment on the station's model farm, the Department of Extension was organized nearly 2 years ago. When a farmer presents a problem that the Centro cannot solve, it can usually get the answer from some investigator in the United States through the United States Department of Agriculture. Visiting farmers are given equal attention by the extension service, whether their questions concern livestock, crop production, or other farm difficulties. Men from the Department visit farms when necessary, conduct discussions, and show agricultural films to farm groups and school children.

Each year field days are held at the Central Experiment Station in San Andrés. They have been successful in getting farmers to understand and approve the work being done by the station. At the field day last year, 800 farmers toured the fields, and many remained after the tour to discuss their farm problems.

When the station was planned, in October 1942, most of the world was at war. At the time, the United States needed such strategic materials as soft and hard fibers, insecticides, oils, and medicinals, and it was with this immediate purpose in mind that El Salvador and the United States set up the cooperative station. It was useful in meeting these needs, and, with the defeat of Japan, the research center was able to channel all of its technical skill into peacetime agricultural projects of interest to both countries.

The station was well planned for such extensive research. Several coffee fincas are located near the laboratory where the problems that confront coffee growers—diseases, methods of production, types of shade necessary, breeding procedures—can be studied.

At the field station in the San Andrés valley, a model farm of 350 acres permits technicians to experiment with field crops, such as corn, beans, rice, fiber crops, oil crops, sugarcane, tobacco, and vegetables, in the fertile volcanic soil. Here too is space to deal with livestock problems.

The crude wooden plow of El Salvador is rapidly being replaced at the station with United States tractors to eliminate unnecessary farm labor. A carpentry and farm machinery shop has been erected, as well as a seed-storage building, general offices, stables, a milkhouse, and residences for personnel.

Early in 1948, a substation at Santa Cruz Porillo was constructed to supplement the work of the laboratories at Santa Tecla and the field station in the valley. The great differences in altitude of the three locations provide a cross section of the country's topography important to realistic experimentation.

The Centro is divided into working units under the departments of Agronomy, Chemistry, Horticulture, Pathology, Agricultural Engineering, Extension, and Animal Industry. With the exception of the Departments of Animal Industry and Chemistry, each section is headed by a United States specialist who acts as an advisor to the Salvadorian technicians. Although

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the program of work is in general planned by each department, there is fortunately an overlapping of projects within the organization, classified according to subject matter. So a project on coffee breeding or fertilization, for example, would be of interest to technicians in almost all departments.

The work already done at the Centro is indicative of the progress to be expected from it in the future. With each newly developed farming method, with every improved seed variety, and with the control of each plant and animal disease, the lot of the farmer is advanced and the economy of the country is strengthened. Larger quantities of coffee, fibers, oils, and insecticide—products the United States buys abroad—are being produced for export.

It is for the mutual benefit of the two American republics that technicians from the United States are working with local leaders to raise the agricultural standards of El Salvador. The research work carried on in the valley of San Andrés is putting goods on the docks of coastal ports to be shipped to the United States. Today, El Salvador has a credit record with the United States that is unequaled by any of the other Latin American republics. With additional buying power, it is importing more United States commodities to raise its own level of living. Thus the research program is providing a successful cycle of exchange, bringing profits to both nations that will soon dwarf their investments in the Centro.

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## INTERNATIONAL *Agricultural News*

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### **Agriculture Importance Increasing In Scotland**

Coal miners deserting the pits to return to the farm reflects a strong trend in Scotland. A report from Edinburgh discloses that 108,000 people are now employed in agriculture and auxiliary pursuits. Mining has fallen from the premier position it enjoyed 25 years ago when it employed 125,000 workers. It now attracts only 85,000 miners.

The current popularity of agriculture is in sharp contrast to its position at the outbreak of World War II when continued lack of emphasis on farming forced the country to depend heavily on foreign producers for its foodstuffs.

### **Turkey Trains Teachers for ERP Machinery**

The completion of the first of a series of courses to train teachers in the use of agricultural machinery has been announced by the Ministry of Agriculture in Ankara. This coincides with the beginning of a similar course for mechanics. According to the Ministry, Turkey plans to train 1,000 mechanics a year. Additional courses will be set up in provinces throughout the country. The speed-up in the Turkish training program is in anticipation of increased imports of farm equipment under the European Recovery Program. These training programs will supplement the relatively modest program that has been going on for some years in Turkey.

### **Netherlands Honors Dr. Riddell**

The Netherlands has honored Dr. W. Hugh Riddell, now head of the dairy and animal husbandry department of the University of Vermont, for his contribution to the reconstruction of the damaged fields of the Netherlands and to the development of international agricultural relations.

The award bestows on Dr. Riddell the Order of Orange Nassau with rank of Commander.

During the last part of World War II, Dr. Riddell was an agricultural expert attached to the SHAEF Mission in Breda, the Netherlands, and from 1945 to 1948 he served as the first postwar agricultural attaché at the United States Embassy in The Hague.



*The Socialized Agriculture of the USSR: Plans and Performance*, by Naum Jasny, 837 pp., Stanford, Calif., Stanford University Press, 1949. \$7.50.

This book is No. 5 in the Grain Economics Series of Stanford University's Food Research Institute. Russian-born Jasny, who is a recognized authority on Soviet agriculture and has written widely on agricultural economy in Russian, German, and English, here studies the Russian system of collective farms to determine the extent of its success. His conclusion is that it has dismally failed; and to support his conclusion he has marshalled an impressive array of evidence from original sources. His study deals primarily with the period 1928-40, the period of the first three Five-Year Plans, and is concerned with production and its factors, such as land tenure, farm organization, mechanization, and labor productivity.





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